

Message Text

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C O N F I D E N T I A L MOSCOW 15681

DEPARTMENT PASS COMMERCE AND TREASURY

USDOC FOR BEWT

E.O. 11652: GDS
TAGS: EFIN, EEWT, UR
SUBJECT: CITIBANK CONSIDERING APPOINTMENT OF NEW
REPRESENTATIVE IN MOSCOW

SUMMARY:

CITIBANK OFFICIALS INFORMED AMBASSADOR THAT THEY HAD RECEIVED FAIRLY COOL RECEPTION FROM SOVIET STATE BANK (GOSBANK) DEPUTY CHAIRMAN TROFIMOV DURING VISIT TO MOSCOW JULY 4-5. WHILE EXTENDING ACCREDITATION FOR ANOTHER YEAR, GOSBANK HAD COMPLAINED OF LEVEL OF CITIBANK ACTIVITY. HOWEVER, GOSBANK HAD ASKED THREE TIMES WHEN CITIBANK INTENDED TO FILL VACANCY LEFT BY RESIGNATION OF FORMER REPRESENTATIVE IN APRIL. CITIBANK IS CONTEMPLATING SENDING A MORE JUNIOR OFFICIAL IN SEPTEMBER BUT IS DETERRED BY CONCERN OVER IMPLICATIONS OF CRAWFORD ARREST.

1. ROBERT LOGAN, NEW YORK-BASED SENIOR VICE-PRESIDENT IN CHARGE OF EUROPE, CANADA AND AUSTRALIA FOR CITIBANK,
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CALLED ON AMBASSADOR JULY 5 TO DISCUSS QUESTION OF FILLING VACANCY LEFT BY RESIGNATION LAST APRIL OF FORMER REPRESENTATIVE IN MOSCOW, J. PERRY WOOTTEN. LOGAN WAS ACCOMPANIED BY VICTOR BRUNST, VIENNA-BASED VICE PRESIDENT, WHO SET UP THE CITIBANK OFFICE HERE IN 1974. LOGAN SAID THAT A YOUNG MAN HAD BEEN TAPPED FOR THE POSITION, WHICH HE SAID WAS A DIFFICULT ONE TO FILL, AND THE NEW REPRE-

SENTATIVE COULD COME IN SEPTEMBER. HOWEVER, CITIBANK WAS CONCERNED ABOUT IMPLICATIONS OF THE CRAWFORD ARREST AND WISHED TO HEAR THE AMBASSADOR'S VIEWS.

2. AMBASSADOR SAID THAT FUNDAMENTAL POINT ABOUT CRAWFORD ARREST IS THAT ANY FOREIGN BUSINESSMAN IN USSR IS AT SOVIET MERCY. WHETHER TO REPLACE WOOTTEN WAS OF COURSE A MATTER FOR CITIBANK TO DECIDE. HE SUGGESTED THAT THE CITIBANK OFFICIALS VOICE THEIR CONCERN TO SOVIET INTER-LOCUTORS AND ASK THEIR VIEWS. (IT DEVELOPED THAT LOGAN AND BRUNST HAD ALREADY HELD ALL THEIR SCHEDULED MEETINGS WITH SOVIET BANKS.) CONVEYING THE CONCERN OF THE BUSINESS COMMUNITY ABOUT THIS DEVELOPMENT IS IN ITSELF HELPFUL, THE AMBASSADOR ADDED. BRUNST AGREED THAT FACT THAT ARREST HAD HAPPENED SHOWS ANY BUSINESSMAN IS VULNERABLE NOW.

3. LOGAN NOTED THAT CRAWFORD MIGHT WELL BE CONVICTED. WITH RULES AS STRICT AS THEY ARE IN THE USSR, HE THOUGHT IT DIFFICULT TO OPERATE IN SUCH A SOCIETY WITHOUT INFRINGING ON AT LEAST GRAY AREAS OF POSSIBLE ILLEGALITY. FURTHERMORE, THE SOVIETS WOULD BE CHECKING BACKGROUNDS WITH EXTREME THOROUGHNESS. THE AMBASSADOR AGREED BUT NOTED THAT THE SOVIETS REALLY DO NOT NEED ANY EVIDENCE, SINCE THEY CAN FABRICATE ANYTHING THEY WISH. LOGAN STATED THAT IT IS ONLY HIS OWN SPECULATION, BUT HE BELIEVES CONFIDENTIAL

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CITIBANK CHAIRMAN WRISTON WOULD HAVE IMMEDIATELY CLOSED THE LOCAL OFFICE HAD ONE OF HIS OWN PERSONNEL BEEN ARRESTED.

4. BRUNST RELATED THAT HE AND LOGAN HAD HEARD A GOOD DEAL OF "RHETORIC" FROM GOSBANK DEPUTY CHAIRMAN TROFIMOV AND CHIEF OF PROTOCOL CHERNSHEV ABOUT LACK OF ACTIVITY BY CITIBANK IN USSR. THEY HAD RECEIVED THEIR "DOCUMENT" (I.E., ACCREDITATION) FOR ONE MORE YEAR, BUT GOSBANK HAD ASKED WHY CITY IS HERE AT ALL. HOWEVER, GOSBANK HAD BEEN ANXIOUS TO LEARN WHEN THE NEW REPRESENTATIVE IS LIKELY TO ARRIVE AND HAD ASKED THIS QUESTION ON THREE OCCASIONS. LOGAN COMMENTED THAT THE MEETING WITH TROFIMOV HAD NOT BEEN VERY PLEASANT.

5. COMMENT: CITIBANK HAS BEEN THE LEAST ACTIVE OF THE THREE AMERICAN BANKS HAVING REPRESENTATIONAL OFFICES IN MOSCOW, AND WE SEE NO INDICATION THAT THIS ATTITUDE IS LIKELY TO CHANGE WITH INTEREST RATES DOWN AND SOVIETS SEEKING TO BORROW ON BARGAIN BASEMENT TERMS. WHILE THEY ARE IRRITATED AT CITIBANK'S RETICENCE, HOWEVER, IT SEEMS CLEAR THAT SOVIETS ARE NERVOUS ABOUT POSSIBILITY THAT THE

WOOTTEN VACANCY MAY GO UNFILLED. ESPECIALLY AT THIS TIME WHEN CRAWFORD ARREST IS CAUSING A NUMBER OF FIRMS WHOSE BUSINESS ACTIVITY HERE IS ON THE MARGIN TO THINK AGAIN ABOUT UTILITY OF BEING REPRESENTED IN USSR. WE BELIEVE THIS ACCOUNTS FOR THEIR REPEATED QUESTIONING AS TO WHEN A SUCCESSOR WILL APPEAR AND THEIR READINESS TO CONTINUE ACCREDITATION DESPITE INACTIVITY.

6. IF THE MESSAGE IS CONVEYED TO THE SOVIETS THAT THEIR ARBITRARY ARREST OF AN AMERICAN BUSINESSMAN HAS COST THEM THE CONFIDENCE OF THE BUSINESS COMMUNITY, MANY OF WHOM WILL BE RECONSIDERING THE VALUE OF REPRESENTATION HERE, IT MAY HAVE A FAVORABLE IMPACT ON THEIR HANDLING OF THE CRAWFORD CASE. AS SEEN FROM HERE, THERE ARE NO COMPELLING CONFIDENTIAL

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ECONOMIC OR POLITICAL REASONS FOR CITIBANK TO HASTEN TO FILL THE VACANCY IN MOSCOW. TOON

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